

## Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 IO-10 L-02 NSC-05 /066 W

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R 161451Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0258

C O N F I D E N T I A L LONDON 05746

DEPARTMENT PASS TREASURY

E.O. 11652: XGDS-1

TAGS: EFIN, UK

SUBJECT: IBRD/IMF SALARY ADJUSTMENTS

REF: STATE 84204

1. LETTERS FROM SECRETARY SIMON TO CHANCELLOR HEALEY AND BANK OF ENGLAND GOVERNOR RICHARDSON WERE DELIVERED RESPECTIVELY TO HESTER BOOTHROYD, UNDER SECRETARY OF H.M. TREASURY, CHARGED WITH IBRD/IMF SALARY MATTERS AND TO KIT MCMAHON, DIRECTOR, BANK OF ENGLAND, ALTERNATE U.K. IMF EXECUTIVE DIRECTOR. MEMBERS OF THEIR STAFFS ALSO ATTENDED FINANCIAL ATTACHE MADE ORAL POINTS IN PARAS 2-6 OF REFTEL.

2. MCMAHON'S INITIAL RESPONSE WAS THAT HE HAS SYMPATHY WITH THE U.S. POSITION, COULD SEE PROBLEMS RAISED FOR THE HOST COUNTRY, ALSO HAS SYMPATHY WITH THE TAPERING PROPOSALS AND POSSIBLY LIMITING SALARY INCREASES TO ADJUST FOR INFLATION, BUT WITH NO REAL INCREASES IN SALARY. MCMAHON ADDED THAT SALARY FREEZING PRACTICES AT HIGHER LEVELS WHICH HE NOTED HAD BEEN ADOPTED BY THE U.S. GOVERNMENT CAN CREATE SERIOUS MANAGEMENT DIFFICULTIES; SOME FORM OF INDEXATION IS PROBABLY THE WISER COURSE RATHER THAN FREEZE WHICH BUILDS IN STRUCTURAL DIFFICULTIES THAT MAY BE DIFFICULTIAL

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CULT TO LATER CORRECT.

3. BOOTHROYD INDICATED SAME GENERAL LINE. U.K. EXECUTIVE DIRECTOR RAWLINSON AND U.K. HAVE SYMPATHY FOR THE GENERAL THRUST OF U.S. PROPOSALS, BUT DO NOT WISH TO COMPLETELY OPPOSE MCNAMARA AND WITTEVEEN AND SEEM TO INTERFERE WITH THE MANAGEMENT OF THE INSTITUTIONS INVOLVED. BOOTHROYD ALSO SPECIFICALLY REFERRED TO THE FREEZE ON U.S. GOVERNMENT SALARIES AT SENIOR LEVELS AND WONDERED ABOUT ITS POSSIBLE RELATIONSHIP TO THE U.S. POSITION ON IMF/IBRD SALARIES. SHE DID NOT BELIEVE A FREEZE ON IMF/IBRD SALARIES TO BE APPROPRIATE AND NOTED THAT U.K. HAS JUST ANNOUNCED CIVIL SERVANTS WOULD BE GETTING SALARY INCREASES IN THE RANGE OF 25 TO 30 PERCENT. IN ADDITION, THE EXPATRIATE ELEMENT OF INDUCING FOREIGNERS TO WORK IN THE U.S. SHOULD ALSO BE TAKEN INTO ACCOUNT IN LOOKING AT SALARY DIFFERENTIALS. BOOTHROYD THOUGHT U.K. AND GERMANY WERE PERHAPS MOST SYMPATHETIC TOWARDS U.S. VIEWS; SMALLER IBRD RECIPIENT COUNTRIES THE LEAST SO, OR AT MINIMUM UNCONCERNED.

4. BOTH BOOTHROYD AND MCMAHON PROMISED TO ATTEMPT TO SEND RAWLINSON INSTRUCTIONS BY APRIL 17 TO GIVE AS MUCH SUPPORT AS POSSIBLE TO U.S. PROPOSALS, BUT SUBJECT TO THE ABOVE QUALIFICATIONS.

5. DEPARTMENT PLEASE PASS OTHER POSTS AS NECESSARY OR DESIRED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, INTERNATIONAL ORGANIZATIONS, BANKS, COST OF LIVING WAGE ADJUSTMENT  
**Control Number:** n/a  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** WorrelSW  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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